

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 119929

P R 251401Z SEP 75

FM USMISSION IAEA VIENNA

TO SECSTATE WASHDC PRIORITY 6436

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

AMEMBASSY BONN

AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 IAEA VIENNA 8191

EXDIS

E.O. 11652: GDS

TAGS: OCON, IAEA, TECH, PK

SUBJECT: NUCLEAR COOPERATION WITH PAKISTAN

REF: (A) STATE 219272; (B) ISLAMABAD 8629
(C) IAEA VIENNA 8078; (D) IAEA VIENNA 7469

SUMMARY: IN EXPLANATORY DISCUSSIONS ON POSSIBLE RENEWAL OF BILATERAL U.S.-GOP PEACEFUL NUCLEAR COOPERATION, MUNIR KHAN, CHAIRMAN OF PAEC, REAFFIRMED THAT ALL PAKISTAN NUCLEAR FACILITIES WOULD BE UNDER SAFEGUARDS. HE INDICATED, HOWEVER, THAT SUBMISSION WOULD BE ON PROJECT BY PROJECT BASIS, AND THAT GLOBAL UNILATERAL SUBMISSION TO SAFEGUARDS WOULD BE MOST DIFFICULT IN ABSENCE OF RECIPROCAL GESTURE BY INDIANS. CONCEPT OF U.S. CONTROLS ON REPROCESSING WHICH U.S. REPS IDENTIFIED AS NECESSARY FEATURE OF NEW AGREEMENTS, DID NOT APPEAR TO PRESENT MAJOR DIFFICULTIES TO KHAN. WHILE EXPRESSING INTEREST IN MULTILATERAL PLANT APPROACH, KHAN INDICATED THAT PAKISTANI DEVELOPMENT OF FUEL CYCLE ACTIVITIES WAS FAR IN FUTURE. IN ANY EVENT, HE CONTENDED THAT
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EFFECTIVE PARTICIPATION IN MULTINATIONAL FACILITY

REQUIRED THAT PAKISTAN GAIN EXPERIENCE, WHICH IS PURPOSE OF FRENCH PILOT PLANT WITH WHICH PAKISTAN IS PROCEEDING. END SUMMARY.

1. AS AUTHORIZED REF (A), SIEVERING AND KRATZER MET ON SEPTEMBER 22 WITH MUNIR KHAN, CHAIRMAN OF PAEC, FOR EXPLORATORY DISCUSSIONS OF POSSIBLE RENEWAL OF BILATERAL COOPERATION IN PEACEFUL USES OF NUCLEAR ENERGY. KHAN CLAIMED THAT MESSAGE CONVEYED BY EMBASSY TO GOP (REF (B)) HAD BEEN RELAYED TO HIM, BUT THIS DID NOT SEEM TO BE BORNE BY DISCUSSION. U.S. REPS STRESSED THAT DISCUSSION WHICH THEY WERE PREPARED TO INITIATE WAS STRICTLY EXPLORATORY, AND THAT ANY DECISION TO ENTER INTO FORMAL NEGOTIATIONS OF NEW COOPERATIVE AGREEMENT WAS DEPENDENT ON MUTUAL DETERMINATION FOLLOWING EXPLORATORY TALKS THAT SATISFACTORY BASIS FOR AGREEMENT EXISTED.

2. AT REQUEST OF U.S. REPS KHAN DESCRIBED PAKISTAN'S NUCLEAR POWER PROGRAM. PLAN IS TO BUILD TWIN 600 MW PLANTS, TO BE FOLLOWED BY 900 MW UNITS. FIRST 600 MW UNIT WOULD BECOME OPERATIONAL ABOUT 1982. PLANTS WOULD BE LOCATED IN TWO "NUCLEAR PARKS", ONE ON INDUS RIVER SERVING NORTHERN PAKISTAN AND ONE NEAR KARACHI (BUT CONSIDERABLY FARTHER FROM CITY THAN KANUPP) SERVING SOUTHERN LOAD CENTER. KHAN EMPHASIZED PAKISTAN'S EXTREMELY POOR CONVENTIONAL ENERGY SITUATION, NOTING THAT TARBELA HYDROELECTRIC PROJECT, WITH POTENTIAL 2200 MW INSTALLED CAPACITY, WOULD BE ABLE TO SUSTAIN ONLY 40 PERCENT LOAD FACTOR, AND THAT RESERVES FOSSIL FUEL (COAL, OIL, AND GAS) WERE ESTIMATED AT ONLY ABOUT 13 TONS COAL EQUIVALENT PER CAPITA WHICH, ACCORDING TO KHAN, IS ABOUT EQUAL TO THE ANNUAL U.S. PER CAPITA CONSUMPTION. THUS, THE ONLY NATIONAL ELECTRICAL ENERGY PLAN FOR PAKISTAN INVOLVES BASE LOAD NUCLEAR PLANTS, WITH HYDROELECTRIC PEAKING IN NORTH, AND OIL OR GAS FIRED PEAKING PLANTS IN SOUTH. CURRENT HEAVY DEPENDENCE ON NATURAL GAS IS HIGHLY UNECONOMIC SINCE GAS CAN YIELD SEVERAL FOLD GREATER RETURN TO ECONOMY BY

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CONVERSION TO FERTILIZER.

3. COMPLETE SPECIFICATIONS FOR SOLICITATION OF BIDS FOR 600 MW REACTOR HAVE BEEN PREPARED WITH ASSISTANCE OF US NUCLEAR CONSULTING FIRM, NUS, AND KHAN IS PRESSING GOVERNMENT TO RELEASE RFP AS SOON AS POSSIBLE, PARTLY BECAUSE HE ESTIMATES THAT ESCALATION IS INCREASING COSTS AT AVERAGE RATE OF \$100,000 DAILY.

RFP WILL PROBABLY ASK FOR PROPOSAL ON BASIS OF ONE UNIT CANDU FIRM CONTRACT WITH OPTION ON SECOND. KHAN HAS SET TARGET OF END OF YEAR FOR ISSUANCE OF SOLICITATION WHICH WILL BE OPEN TO BOTH LIGHT WATER AND CANDU TYPE REACTORS. PAKISTAN IS GENERALLY PLEASED WITH PERFORMANCE OF CANDU REACTORS, EXCEPT FOR HEAVY WATER LOSS PROBLEM WHICH THEY REGARD AS MAJOR DEFECT OF SYSTEM.

4. KHAN ALLUDED TO POLITICAL AND STRATEGIC SITUATION OF PAKISTAN, OBSERVING THAT PAKISTAN IS ONLY NATION WITH THREE NUCLEAR POWERS ON BORDERS, ALTHOUGH HE MADE IT ABUNDANTLY CLEAR THAT INDIA IS CURRENT SOURCE OF PAKISTANI CONCERN. MOREOVER, UNLIKE IRAN, PAKISTAN LACKED PROTECTION AGAINST NUCLEAR THREAT THROUGH FIRM ALLIANCE, WHICH HE CLAIMED PAKISTAN HAD SOUGHT SUCH ALLIANCE IN SEVERAL QUARTERS WITHOUT SATISFACTION. HE STATED ON INNUMERABLE OCCASIONS THAT PAKISTAN HAD NO INTEREST IN NUCLEAR WEAPONS AND WOULD JOIN THE NPT ON A MOMENT'S NOTICE, IF IT WERE NOT FOR INDIA. HE STRESSED THAT ALL PAKISTAN'S NUCLEAR FACILITIES, PRESENT AND PLANNED, WERE AND WILL BE SUBJECT TO SAFEGUARDS, AND MINIMIZED PAKISTAN'S ABILITY TO DEVELOP INDEPENDENT NUCLEAR CAPABILITIES, EVEN IF IT SHOULD WISH TO DO SO.

5. KHAN ALSO REPEATED HIS EARLIER COMMENTS MADE TO KRATZER AT JUNE IAEA BOARD MEETING THAT PAKISTAN WOULD LIKE TO RESUME COOPERATION WITH U.S., BUT WAS CONCERNED THAT U.S. POLICY WAS CHANGING AND THAT PAKISTAN WAS RELUCTANT TO BE FIRST IN THE REGION TO SEEK NEW BILATERAL AGREEMENT. U.S. REPS EXPLAINED THAT FUNDAMENTAL U.S. POLICY OF COOPERATION IN PEACEFUL USES OF NUCLEAR

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ENERGY HAD NOT CHANGED, BUT THAT ADJUSTMENTS HAD, OF COURSE, BEEN NECESSARY FOLLOWING INDIAN NUCLEAR EXPLOSION TO STRENGTHEN ASSURANCES THAT COOPERATION DOES NOT LEAD TO PROLIFERATION. IN THIS CONNECTION, THEY POINTED OUT THAT FUTURE ARRANGEMENTS WOULD NOT BE STANDARD BUT WOULD TAKE INTO ACCOUNT FACTORS SUCH AS NPT ADHERENCE AS WELL AS CONSIDERATIONS PECULIAR TO A PARTICULAR REGION. REFERRING TO KHAN'S REPEATED OBSERVATION THAT ALL PAKISTAN'S NUCLEAR FACILITIES ARE SUBJECT TO SAFEGUARDS, AND THAT PAKISTAN HAS NO PLANS TO ACQUIRE UNSAFEGUARDED FACILITIES, U.S. REPS INQUIRED WHETHER PAKISTAN WOULD CONSIDER FORMALIZING THIS SITUATION BY A UNILATERAL SUBMISSION OF ALL ITS NUCLEAR ACTIVITIES TO IAEA SAFEGUARDS. WHILE AVOIDING A CATEGORICAL REPLY, KHAN

INDICATED THIS WOULD BE EXTREMELY DIFFICULT IN THE
ABSENCE OF A RECIPROCAL GESTURE ON THE PART OF INDIA.
HE STRESSED AGAIN, HOWEVER, THAT PAKISTAN HAD NO

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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FM USMISSION IAEA VIENNA
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C O N F I D E N T I A L SECTION 2 OF 2 IAEA VIENNA 8191

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INTENTION OF ACQUIRING OR DEVELOPING ANY UNSAFEGUARDED
FACILITIES AND THAT IT IS IN A POOR TECHNICAL POSITION
TO DO SO. KHAN MADE NO REFERENCE TO BHUTTO'S INDICA-
TION THAT SAFEGUARDS SUBMISSION COULD BE MADE IF
PAKISTAN RECEIVED ADEQUATE CONVENTIONAL ARMS SUPPORT,
AND U.S. REPS CONSIDERED IT PREFERABLE NOT TO RAISE
THIS CONDITIONAL OFFER AT THIS TIME.

6. U.S. REPS ALSO IDENTIFIED U.S. INTEREST IN PRIN-
CIPLE THAT REPROCESSING AND OTHER SENSITIVE FUEL CYCLE
ACTIVITIES TAKE PLACE ONLY UNDER MUTUALLY AGREED
ARRANGEMENTS. THEY INDICATED THAT THIS APPROACH
WHICH, IN FACT, WAS INCORPORATED IN VARIOUS FORMS IN
EXISTING AGREEMENTS WOULD BE A MANDATORY FEATURE OF
NEW AGREEMENTS. KHAN APPEARED TO FIND THIS CONCEPT
ACCEPTABLE, ALTHOUGH HE CAREFULLY AVOIDED CONFIRMING
THAT FUEL CYCLE ACTIVITIES COULD BE SUBJECT TO MUTUAL
APPROVAL, OBSERVING INSTEAD THAT THEY SHOULD CERTAINLY
BE MATTER FOR "DISCUSSION" BETWEEN PARTIES. KHAN

CONFIRMED THAT PAKISTAN WAS PROCEEDING WITH SMALL
FRENCH REPROCESSING FACILITY, UNDER SAFEGUARDS,
TO GAIN EXPERIENCE.
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7. PURSUING QUESTION OF REPROCESSING, U.S. REPS POINTED
OUT THAT ECONOMIC NEED FOR THIS FUEL CYCLE ACTIVITY, ES-
PECIALLY IN SHORT RUN, WAS DOUBTFUL, AND THAT ECONOMICAL
REPROCESSING APPEARED POSSIBLE, IN THE LONG RUN, ONLY
IN VERY LARGE FACILITIES. THIS SUGGESTED DESIRABILITY
OF ESTABLISHING MULTINATIONAL FACILITIES MEETING
REGIONAL NEEDS, WHICH U.S. STRONGLY SUPPORTED. U.S.
REPS SPECIFICALLY IDENTIFIED POSSIBLE PAKISTAN-IRAN
COOPERATION IN SUCH VENTURE. KHAN ACCEPTED THESE
OBSERVATIONS, AND REAFFIRMED THAT PAKISTAN HAS NO PLANS
FOR EARLY DEVELOPMENT OF INDEPENDENT FUEL CYCLE CAPABILITIES,
BUT THAT EVEN PARTICIPATION IN REGIONAL FACILITY
REQUIRED PRIOR EXPERIENCE, WHICH IS ONLY PURPOSE OF
PROPOSED FRENCH PLANT. HE STATED THAT IS WAS UNREALISTIC
TO BELIEVE THAT A REGIONAL FACILITY SUPPLIED FROM OUT-
SIDE SOURCE COULD BE OPERATED INDEFINITELY WITH EX-
PATRIATE STAFF FROM INDUSTRIALIZED COUNTRIES. U.S.
REPS INDICATED THAT THIS WAS NOT INTENDED AS PART OF
REGIONAL MULTINATIONAL CONCEPT, BUT TOOK ISSUE WITH
KHAN'S CONTENTION THAT EFFECTIVE PARTICIPATION IN LARGE
PLANT REQUIRED EXPERIENCE IN SMALL NATIONAL PILOT OR
TRAINING FACILITY.

8. U.S. REPS THEN RAISED QUESTION OF PAKISTAN'S HEAVY
WATER SUPPLY. KHAN CONFIRMED THAT PLANS ARE PROCEEDING
FOR PROCUREMENT OF SMALL GERMAN HEAVY WATER PLANT, WITH
CAPACITY OF 11-15 TONS PER YEAR, BUT HE MADE NO REFERENCE
TO NEGOTIATING DIFFICULTIES DESCRIBED BY LOOSCH OF FRG
(REF C). HE ESTIMATED KANUPP HEAVY WATER LOSSES AT
SEVEN TONS PER YEAR UNDER NORMAL OPERATION. THUS,
CAPACITY OF PLANT, WHICH HE STRESSED WOULD ALSO BE UNDER
SAFEGUARDS, WAS SO SMALL THAT MANY YEARS WOULD BE
REQUIRED BEFORE CHANGE FOR KANUPP OR EQUIVALENT REACTOR
COULD BE ACCUMULATED. KHAN LINKED NEED FOR HEAVY WATER
PLANT TO DISSATISFACTION WITH RELIABILITY OF MAKE-UP
SUPPLY FROM CANADA, OR WHICH HE WAS HIGHLY CRITICAL.
COMMENTING ON RECENT U.S. OFFER TO FIVE TONS OF MAKE-
UP HEAVY WATER UNDER AMENDMENT TO EXISTING PROJECT
AGREEMENT (REF D), KHAN SAID HE HAD NO OBJECTION TO
SUBSTANCE OF ARRANGEMENTS PROPOSED BY U.S., BUT FELT
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THERE SHOULD BE ACCOMPLISHED THROUGH A NEW, PREFERABLY BILATERAL, INSTRUMENT RATHER THAN THROUGH AMENDMENT OF THE EXISTING PROJECT AGREEMENT. U.S. REPS INDICATED READINESS TO CONSIDER ANY FORM OF ARRANGEMENT TO COVER MAKE-UP SUPPLY, PROVIDED OBJECTIVES CAN BE ADEQUATELY ACCOMPLISHED. (COMMENT: SUPPLY OF MAKE-UP HEAVY WATER WOULD INVOLVE EXTENSION OF EXPLICIT PNE PROHIBITION TO KANUPP, WHICH NOT INCLUDED IN ORIGINAL 1968 PROJECT AGREEMENT. KHAN DID NOT SEEM TO BE TAKING ISSUE WITH SUBSTANCE OF THIS PROVISION, BUT THIS COULD BE MOTIVE FOR HIS OBJECTION AMENDMENT OF EXISTING AGREEMENT.)

9. KHAN EXPRESSED INTENSE INTEREST IN U.S. APPROACH TO INDIAN NUCLEAR ISSUE, AND ASKED TO BE ADVISED INsofar AS APPROPRIATE OF U.S. ACTIONS. U.S. REPS REFERRED TO ARRANGEMENT ON TARAPUR, REACHED LAST YEAR, OF WHICH HE ALREADY WELL AWARE, WHICH IN EFFECT ASSURES THAT PLUTONIUM FROM TARAPUR WILL NOT BE USED IN ANY NUCLEAR EXPLOSIVE DEVICE, STRESSING RETROACTIVE NATURE OF THIS STEP. IT WAS ALSO IMPLIED THAT NO NEW NUCLEAR COOPERATION WITH INDIA WAS LIKELY UNDER PRESENT CIRCUMSTANCES. AT SAME TIME, IN RESPONSE TO IMPLIED CRITICISM BY KHAN RE CONTINUED U.S. FUELING OF TARAPUR, WE STRESSED THAT U.S. ATTACHES HIGHEST IMPORTANCE TO FULFILLMENT OF ITS SUPPLY COMMITMENTS, AND THAT DEPARTURE FROM THESE COMMITMENTS ANYWHERE WOULD INEVITABLY UNDERMINE CONFIDENCE IN U.S. FUEL SUPPLY BY ALL CUSTOMERS. KHAN ALSO INQUIRIED AS TO WHETHER U.S. WAS SUPPLYING HEAVY WATER FOR INDIA'S RAPP 2 REACTOR, FOR WHICH HEAVY WATER HAS NOT YET BEEN DELIVERED. U.S. REPS RESPONDED THAT WHILE U.S. HAD GIVEN CANADA APPROVAL SOME YEARS AGO TO TRANSFER U.S.-ORIGIN MATERIAL FOR THIS PURPOSE, THIS WAS ESSENTIALLY MEANINGLESS NOW IN VIEW OF LARGE QUANTITY OF HEAVY WATER PRODUCED IN CANADA IN MEANTIME.

10. AT CONCLUSION OF DISCUSSION, KHAN INQUIRED AS TO NEXT STEPS, AND WHETHER PAKISTAN TALKS WITH U.S. SUPPLIERS COULD CONTINUE, U.S. REPS EXPLAINED THAT U.S. LEGAL REQUIREMENTS PROHIBITED ANY EXPORT OF NUCLEAR MATERIALS AND FACILITIES IN ABSENCE OF AGREEMENT FOR CONFIDENTIAL

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COOPERATION, BUT THERE WAS NO PROHIBITION AGAINST COMMERCIAL DISCUSSIONS. NEVERTHELESS, U.S. FIRMS WOULD UNDOUBTEDLY WANT TO GEAR THEIR INTEREST TO PROGRESS OF GOVERNMENT TO GOVERNMENT DISCUSSIONS. U.S. REPS REITERATED THAT THIS WAS EXPLORATORY DISCUSSION ONLY,

AND THAT MATTER SHOULD NOW BE REVIEWED BY BOTH GOVERN-
MENTS TO DETERMINE WHETHER ADEQUATE BASIS EXISTS FOR
PROCEEDING WITH NEGOTIATIONS. WE PROMISED TO BE IN
TOUCH WITH KHAN AS CONSIDERATION PROCEEDED. TAPE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR COOPERATION PROGRAMS, NUCLEAR SAFEGUARDS, NUCLEAR POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 SEP 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975IAEAV08191
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750332-1245
From: IAEA VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750914/aaaaamls.tel
Line Count: 335
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 STATE 219272, 75 ISLAMABAD 8629
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2003 by WorrelSW>; APPROVED <16 SEP 2003 by WorrelSW>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NUCLEAR COOPERATION WITH PAKISTAN
TAGS: OCON, TECH, PK, US, IAEA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006